

## EXECUTIVE SUMMARY

Idaho nonfarm employment returned to a solid footing in 2004, after experiencing two years of disappointing growth in the previous two years. Over this two-year period, the state added about 4,500 new jobs. To put this in perspective, in 2004 alone Idaho gained over 14,600 jobs. After 2004, Idaho nonfarm employment should grow slightly slower, averaging about 1.7% per year through 2008. This is very close to what had been anticipated in the October 2004 *Idaho Economic Forecast*. In fact, although some of the details for the sectors differ, in 2007 the difference between the current and previous forecasts is just 52 jobs. While the overall Idaho job outlook is virtually unchanged, the prospects for the state's goods-producing sector have improved. There are about 1,000 more goods-producing jobs in 2007 than in the previous forecast. It is interesting to note that while the forecast for Idaho goods-producing employment has been revised upward, its national counterpart has reduced. The differences between Idaho personal income forecasts are more noticeable than the employment projections. For example, the Idaho nominal personal income forecast for 2004 is one-half billion dollars (1.3%) lower than in October 2004 and it is \$622 million (1.4%) lower in 2007. Most of this decrease can be traced to the revised Idaho personal income estimates that lowered the starting point for this forecast by 1.2%. While the starting level of the Idaho personal income forecast has changed since October 2004, its rate of growth remains comparable. Specifically, Idaho nominal personal income is expected to grow 5.4% annually from 2003 to 2007, compared with 5.5% per year in the previous forecast. Even after adjusting for inflation, the forecasts for personal income are similar.

The U.S. economy is forecast to make steady progress over the next few years, but fall short of its potential. This can be seen in the output and jobs forecasts. Specifically, real output is expected to average about 3.0% annual growth after 2004. While this is a welcome change from the lackluster growth of 2001 and 2002, it is below the estimated potential GDP growth of 3.5%. The sub-potential growth is also evident in the employment numbers. This year's projected 1.7% increase is the high-water mark for the forecast period. After this year, national nonfarm employment should expand at about 1.0% annually. While any growth is a relief from the job drought of 2001-2003, the forecasted pace of job creation will not be fast enough to absorb all the expanding labor pool. As a result, after falling initially, the U.S. civilian unemployment rate is expected to increase in the latter part of the forecast and fail to return to full employment. It should be obvious oil prices have been a major determinant of the economy's performance over the past year. These huge oil price increases may have subdued the U.S. economic expansion, but they have not stopped it. This is because the U.S. economy is less dependent on oil than in the 1970s and 1980s. One issue that moved to the front burner was the nation's swelling current account deficit. Although it had been ignored for years, this imbalance was noticed when it began to put downward pressure on the U.S. dollar. The major good point is it makes American goods and services more affordable in the global market, and this should help shrink, but not erase, the lopsided global trade picture. The relatively slow job growth should also contain inflation because forthcoming compensation gains should be modest. Indeed, the U.S. civilian unemployment rate is expected to remain above the level at which inflationary fires will be rekindled. Thus, should the economy grow faster than expected, it should be able to do so without igniting rapid inflation.

**IDAHO ECONOMIC FORECAST  
EXECUTIVE SUMMARY  
JANUARY 2005**

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
<b>GDP (BILLIONS)</b>											
Current \$	8,747	9,268	9,817	10,128	10,487	11,004	11,727	12,352	12,948	13,584	14,275
% Ch	5.3%	6.0%	5.9%	3.2%	3.5%	4.9%	6.6%	5.3%	4.8%	4.9%	5.1%
2000 Chain-Weighted	9,067	9,470	9,817	9,891	10,075	10,381	10,837	11,187	11,524	11,884	12,254
% Ch	4.2%	4.4%	3.7%	0.8%	1.9%	3.0%	4.4%	3.2%	3.0%	3.1%	3.1%
<b>PERSONAL INCOME - CURR \$</b>											
Idaho (Millions)	27,287	29,068	31,290	33,091	33,963	34,955	37,019	38,919	41,042	43,139	45,459
% Ch	7.6%	6.5%	7.6%	5.8%	2.6%	2.9%	5.9%	5.1%	5.5%	5.1%	5.4%
Idaho Nonfarm (Millions)	26,371	28,075	30,474	32,095	33,011	34,030	36,116	37,858	39,922	42,020	44,344
% Ch	7.1%	6.5%	8.5%	5.3%	2.9%	3.1%	6.1%	4.8%	5.5%	5.3%	5.5%
U.S. (Billions)	7,423	7,802	8,430	8,724	8,879	9,162	9,638	10,109	10,657	11,209	11,826
% Ch	7.3%	5.1%	8.0%	3.5%	1.8%	3.2%	5.2%	4.9%	5.4%	5.2%	5.5%
<b>PERSONAL INCOME - 2000 \$</b>											
Idaho (Millions)	28,429	29,788	31,289	32,411	32,800	33,128	34,342	35,430	36,788	37,947	39,165
% Ch	6.6%	4.8%	5.0%	3.6%	1.2%	1.0%	3.7%	3.2%	3.8%	3.2%	3.2%
Idaho Nonfarm (Millions)	27,475	28,770	30,473	31,436	31,880	32,251	33,505	34,465	35,784	36,963	38,205
% Ch	6.1%	4.7%	5.9%	3.2%	1.4%	1.2%	3.9%	2.9%	3.8%	3.3%	3.4%
U.S. (Billions)	7,734	7,996	8,429	8,545	8,575	8,683	8,941	9,203	9,552	9,860	10,189
% Ch	6.4%	3.4%	5.4%	1.4%	0.3%	1.3%	3.0%	2.9%	3.8%	3.2%	3.3%
<b>HOUSING STARTS</b>											
Idaho	10,110	10,338	11,518	12,236	13,154	16,322	18,077	17,634	16,252	15,296	13,968
% Ch	14.1%	2.3%	11.4%	6.2%	7.5%	24.1%	10.8%	-2.5%	-7.8%	-5.9%	-8.7%
U.S. (Millions)	1,621	1,647	1,573	1,601	1,710	1,853	1,941	1,832	1,692	1,657	1,629
% Ch	9.9%	1.6%	-4.5%	1.8%	6.8%	8.3%	4.8%	-5.6%	-7.6%	-2.1%	-1.7%
<b>TOTAL NONFARM EMPLOYMENT</b>											
Idaho	520,477	538,102	558,580	568,017	568,006	572,502	587,124	596,683	607,474	618,150	628,093
% Ch	2.6%	3.4%	3.8%	1.7%	0.0%	0.8%	2.6%	1.6%	1.8%	1.8%	1.6%
U.S. (Thousands)	125,924	128,992	131,791	131,837	130,343	129,937	131,295	133,501	135,058	136,200	137,296
% Ch	2.6%	2.4%	2.2%	0.0%	-1.1%	-0.3%	1.0%	1.7%	1.2%	0.8%	0.8%
<b>SELECTED INTEREST RATES</b>											
Federal Funds	5.4%	5.0%	6.2%	3.9%	1.7%	1.1%	1.3%	2.6%	3.4%	3.5%	3.9%
Bank Prime	8.4%	8.0%	9.2%	6.9%	4.7%	4.1%	4.3%	5.6%	6.4%	6.5%	6.9%
Existing Home Mortgage	7.1%	7.3%	8.0%	7.0%	6.5%	5.7%	5.8%	6.2%	6.6%	6.8%	7.3%
<b>INFLATION</b>											
GDP Price Deflator	1.1%	1.4%	2.2%	2.4%	1.7%	1.8%	2.1%	2.0%	1.8%	1.7%	1.9%
Personal Cons Deflator	0.9%	1.7%	2.5%	2.1%	1.4%	1.9%	2.2%	1.9%	1.6%	1.9%	2.1%
Consumer Price Index	1.5%	2.2%	3.4%	2.8%	1.6%	2.3%	2.7%	2.2%	1.3%	1.7%	1.9%

**National Variables Forecast by GLOBAL INSIGHT  
Forecast Begins the THIRD Quarter of 2004**

**IDAHO ECONOMIC FORECAST  
EXECUTIVE SUMMARY  
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	2004				2005				2006			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<b>GDP (BILLIONS)</b>												
Current \$	11,473	11,658	11,804	11,973	12,128	12,286	12,427	12,569	12,721	12,870	13,027	13,174
% Ch	7.4%	6.6%	5.1%	5.9%	5.3%	5.3%	4.6%	4.7%	4.9%	4.8%	5.0%	4.6%
2000 Chain-Weighted	10,698	10,785	10,883	10,981	11,060	11,149	11,230	11,308	11,391	11,480	11,571	11,654
% Ch	4.5%	3.3%	3.7%	3.6%	2.9%	3.3%	2.9%	2.8%	3.0%	3.1%	3.2%	2.9%
<b>PERSONAL INCOME - CURR \$</b>												
Idaho (Millions)	35,992	36,649	37,319	38,116	38,063	38,637	39,253	39,722	40,247	40,800	41,288	41,831
% Ch	4.6%	7.5%	7.5%	8.8%	-0.6%	6.2%	6.5%	4.9%	5.4%	5.6%	4.9%	5.4%
Idaho Nonfarm (Millions)	35,255	35,883	36,255	37,069	37,141	37,630	38,119	38,542	39,086	39,653	40,208	40,740
% Ch	8.5%	7.3%	4.2%	9.3%	0.8%	5.4%	5.3%	4.5%	5.8%	5.9%	5.7%	5.4%
U.S. (Billions)	9,445	9,583	9,655	9,869	9,916	10,049	10,177	10,296	10,448	10,590	10,730	10,858
% Ch	5.0%	6.0%	3.0%	9.2%	1.9%	5.5%	5.2%	4.8%	6.0%	5.6%	5.4%	4.9%
<b>PERSONAL INCOME - 2000 \$</b>												
Idaho (Millions)	33,681	34,034	34,561	35,092	34,857	35,208	35,674	35,983	36,318	36,667	36,925	37,243
% Ch	1.3%	4.3%	6.3%	6.3%	-2.7%	4.1%	5.4%	3.5%	3.8%	3.9%	2.9%	3.5%
Idaho Nonfarm (Millions)	32,992	33,323	33,576	34,128	34,012	34,291	34,643	34,914	35,270	35,635	35,959	36,272
% Ch	5.1%	4.1%	3.1%	6.7%	-1.4%	3.3%	4.2%	3.2%	4.1%	4.2%	3.7%	3.5%
U.S. (Billions)	8,839	8,900	8,941	9,086	9,080	9,157	9,249	9,327	9,428	9,517	9,596	9,667
% Ch	1.7%	2.8%	1.9%	6.6%	-0.3%	3.4%	4.1%	3.4%	4.4%	3.9%	3.4%	3.0%
<b>HOUSING STARTS</b>												
Idaho	16,544	17,595	19,330	18,838	18,156	17,816	17,491	17,071	16,716	16,347	16,107	15,838
% Ch	-27.5%	27.9%	45.7%	-9.8%	-13.7%	-7.3%	-7.1%	-9.3%	-8.1%	-8.5%	-5.7%	-6.5%
U.S. (Millions)	1,943	1,920	1,968	1,932	1,890	1,864	1,814	1,760	1,727	1,696	1,683	1,664
% Ch	-16.8%	-4.7%	10.4%	-7.0%	-8.5%	-5.4%	-10.2%	-11.5%	-7.3%	-7.1%	-3.0%	-4.5%
<b>TOTAL NONFARM EMPLOYMENT</b>												
Idaho	581,386	586,605	588,831	591,673	592,985	595,197	598,010	600,541	603,326	606,026	608,880	611,662
% Ch	4.2%	3.6%	1.5%	1.9%	0.9%	1.5%	1.9%	1.7%	1.9%	1.8%	1.9%	1.8%
U.S. (Thousands)	130,367	131,125	131,521	132,167	132,721	133,314	133,774	134,196	134,529	134,913	135,269	135,521
% Ch	1.1%	2.3%	1.2%	2.0%	1.7%	1.8%	1.4%	1.3%	1.0%	1.1%	1.1%	0.7%
<b>SELECTED INTEREST RATES</b>												
Federal Funds	1.0%	1.0%	1.4%	1.9%	2.2%	2.5%	2.8%	3.0%	3.2%	3.4%	3.5%	3.5%
Bank Prime	4.0%	4.0%	4.4%	4.9%	5.2%	5.5%	5.8%	6.0%	6.2%	6.4%	6.5%	6.5%
Existing Home Mortgage	5.6%	5.7%	5.8%	5.9%	6.1%	6.1%	6.1%	6.3%	6.4%	6.6%	6.6%	6.7%
<b>INFLATION</b>												
GDP Price Deflator	2.8%	3.2%	1.3%	2.0%	2.3%	2.0%	1.7%	1.8%	1.9%	1.6%	1.7%	1.6%
Personal Cons Deflator	3.3%	3.1%	1.1%	2.4%	2.2%	2.0%	1.1%	1.3%	1.6%	1.7%	2.0%	1.8%
Consumer Price Index	3.6%	4.7%	1.9%	3.1%	2.3%	2.0%	0.7%	1.0%	1.3%	1.5%	1.9%	1.6%

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